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COMMUNIST MILITARY AND ECONOMIC ASSISTANCE
TO NORTH VIETNAM

Introduction

North Vietnam's role in the insurgency in South Vietnam is that of a command and control center, a source of manpower, and a channel for supplies. Its economy has made only a marginal contribution to Vietnamese Communist military strength. Hanoi's ability to provide continued logistic support to Communist forces in South Vietnam, as well as to withstand the effects of the bombing of North Vietnam, is largely dependent on the continued receipt of materiel from Communist China and the USSR. All countries of the Communist camp responded to the intensified US/GVN air offensive in 1965 by extending military and economic assistance as proof of their support. The major aid programs have been undertaken by the USSR and Communist China. The Eastern European Communist countries have extended only limited amounts of assistance.

The total amount of aid extended since early 1965 is not known precisely. We estimate that military aid amounting to about \$250 million and economic aid amounting to \$150 million was delivered in 1965. The amount of aid has increased in 1966, and recent trends indicate that it will continue to increase in 1967.

The material assistance provided by the USSR and Communist China is a highly significant factor in the North Vietnamese attitude toward continuing the war. The importance of this assistance has been attested to in Vietnamese public statements. The Vietnamese view Bloc support as valuable in sustaining, if not increasing, the military pressure that the Communists can bring to bear in South Vietnam. They also see it as a protective umbrella which partly inhibits direct allied military pressure on the DRV and helps to negate the effects of the bombing of North Vietnam. Finally, this aid serves to affirm the ideological unity of the Communist camp in supporting the "war of liberation" in South Vietnam.

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Material assistance to North Vietnam is also significant as an apparent commitment of other Communist countries to underwrite the material costs of the war and to assist in the reconstruction of North Vietnam's economy. These assurances undoubtedly underlie North Vietnam's apparent willingness to lose its economic facilities to air attack and to persist in its pursuit of the war in South Vietnam. This attitude is strengthened by the knowledge that even more assistance will be forthcoming. During 1966, total imports have been well above 1965 levels. At the same time, exports have continued to decline, so that the growing import surplus can only be financed by additional assistance from Communist countries.

1. Military Aida. Value of Aid

Communist military assistance delivered to North Vietnam between 1953 and mid-1966 totaled more than \$500 million and may substantially exceed \$600 million by the end of 1966 (see Table 1). Three-fourths of the total has come from the USSR and the balance from Communist China. The contribution of other Communist countries has been negligible.

Table 1

Soviet and Chinese Communist Military Aid
Delivered to North Vietnam
1953 - June 1966

| | Million US \$ | | |
|-------------------|---------------|-------------|------------------------|
| <u>Year</u> | <u>Total</u> | <u>USSR</u> | <u>Communist China</u> |
| Total | <u>504</u> | <u>377</u> | <u>127</u> |
| 1953-63 | 99 | 44 | 55 |
| 1964 | 25 | 15 | 10 |
| 1965 | 250 | 217 | 33 |
| 1966 (first half) | 130 | 101 | 29 |

More than 75 percent of Communist military assistance has been delivered to North Vietnam after 1964. Soviet and Chinese military aid in 1964 totaled about \$25 million and was about evenly distributed between the two donor countries. In 1965, however, total aid was ten times this amount, or about \$250 million, delivered principally from the USSR. Military aid deliveries have been maintained at a high level during 1966 and should exceed the aid provided in 1965.

b. Composition of Military Deliveries

The large increase in value of military deliveries to North Vietnam in 1965 reflected a substantial shipment of air defense equipment, primarily surface-to-air missiles (SAM's) and fighter aircraft. Deliveries of military equipment other than SAM's in 1966 are estimated to be at an annual rate of about \$220 million, approximately 50 percent higher than in 1965 (see Tables 2 and 3).

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About 85 percent of Soviet military aid to North Vietnam has been delivered after 1964 (nearly \$320 million). Between 1953 and 1964, Soviet aid consisted largely of artillery, small arms, ammunition, about 75 aircraft (largely trainer and transport aircraft), and 20 small naval craft. The emphasis in 1965 shifted to establishing an air defense network, and the Soviet authorities delivered 88 assorted aircraft (including 60 MIG jet fighters) and a SAM system consisting of 24 firing battalions. About 1,600 antiaircraft guns also were provided to North Vietnam. In addition, [redacted] Soviet military technicians were engaged in training North Vietnamese military personnel in the use of SAM's and aircraft.

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About half of total Chinese military assistance has been provided after 1964. The primary Chinese contribution during the past two years has been in the form of small arms, trucks and vehicles, military technical assistance, and technicians and laborers for military-related construction activities. [redacted]

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[redacted] The largest share of Chinese aid delivered between 1953 and 1964, which totaled about \$65 million, consisted of 30 Swatow-class motor gunboats valued at \$26 million and a variety of artillery, small arms and ammunition, and radar equipment. In 1964, Communist China delivered 36 MIG-15/17 jet fighters.

2. Economic Aid and Balance of Trade

Communist countries extended an estimated \$956 million in economic aid to North Vietnam during 1955-64 (see Table 4). After a lull in economic assistance during 1963-64, deliveries of aid were stepped up in 1965 to about \$150 million, two to three times the average annual level of 1955-64. This sharp rise has continued in 1966, and during the last nine months deliveries totaled about \$200 million.

a. Balance of Trade

The DRV generally maintains a favorable balance of trade with the Free World, but most of North Vietnam's imports from Communist countries are financed through assistance programs (by grants and low-interest credits). As indicated in Table 5, the excess of DRV imports from the Communist world over exports to these countries

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increased from about \$34 million in 1964 to nearly \$100 million in 1965.* Preliminary reports indicate that the trade imbalance will be even larger in 1966 as the result of a continuing decline in DRV exports and a sharp increase in DRV imports from the Bloc.

b. Aid Deliveries

Economic aid to North Vietnam in 1965 and 1966, unlike that in previous years, involved nearly all the members of the Communist camp, reflecting growing pressure on them to give tangible proof of their support to North Vietnam's military effort. The token response by some countries, however, is suggested [redacted]

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[redacted] at least two of the agreements were relatively small -- \$11.1 million from Hungary and \$4.4 million from Rumania. Nevertheless, the total amount of aid deliveries increased substantially in 1965 to about \$150 million. The DRV appears to be using the existence of a wartime situation as a means of pressing for and receiving substantial increases in economic assistance, which will be used more for general economic purposes than for the production of military goods and services. The DRV is now acquiring aid from the Bloc on a larger scale than it was able to obtain prior to the escalation of the war in Vietnam.

Although little information is available on the composition of economic aid, it appears that most of the 1965 deliveries consisted of materials and equipment made necessary by the war, such as medical supplies, and equipment to restore transport, power, and other economic activity. A large fraction of the aid commitments made in 1965 and 1966, however, were not intended to replace assets destroyed by US attacks against the North. There is little evidence that assistance from the Bloc is intended to develop North Vietnamese capabilities for producing goods directly associated with the war effort. It is clear that the Communist Bloc has implicitly guaranteed that economic losses incurred by the DRV in pursuing the war will be replaced. So far, however, the North Vietnamese industrial base has not been the main target of US air attacks.

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* The excess of imports over exports in 1965 compared with 1964 would be even greater if the value of military assistance -- which is not included in these trade figures -- were taken into account.

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3. Economic Burden of DRV Aid to the Communist Countries

The costs to the Communist countries of supporting the DRV are increasing because of greatly accelerated deliveries of both military and economic aid. The bulk of the new assistance is being provided by the USSR, however, which is the best prepared to bear the increased burden. Moreover, the costs are still small in terms of Soviet and

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Chinese capabilities to extend military and economic aid. In 1965, for example, the USSR supplied the less developed countries of the Free World with more than twice as much military equipment (by value) as it supplied to North Vietnam. Similarly, Soviet economic aid to the less developed countries in 1965 was about twice the amount that the USSR is believed to have extended to North Vietnam. There is no indication that the burden of rising aid costs on the Soviet and Chinese economies represents in any way a deterrent to continued Bloc support of the DRV war effort.

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Table 4

Communist Economic Aid Extended to North Vietnam a/
1955-64

| | Million US \$ | | | | | | | | | |
|-----------------|---------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|----------------|--------------------------|
| | <u>1955</u> | <u>1956</u> | <u>1957</u> | <u>1958</u> | <u>1959</u> | <u>1960</u> | <u>1961</u> | <u>1962</u> | <u>1963-64</u> | <u>1955-64</u> <u>b/</u> |
| Communist China | 200 | c/ | c/ | c/ | 100 | c/ | 157 | c/ | c/ | 457 |
| USSR | 100 | 8 | 12 | 21 | 25 | 200 | 4 | N.A. | c/ | 369 |
| Eastern Europe | 50 | 8 | 7 | c/ | 2 | Negl. | 62 | c/ | c/ | 130 |
| Total | <u>350</u> | <u>16</u> | <u>19</u> | <u>21/</u> | <u>128</u> | <u>200</u> | <u>223</u> | N.A. | c/ | <u>956</u> |

a. This is the minimum of economic aid extended by the USSR, Eastern Europe, and Communist China. In addition, insignificant amounts of aid have been extended by Albania, Mongolia, and North Korea. Because of rounding, components may not add to the totals shown.

b. Total of known amounts.

c. No extensions are known to exist, although some may have taken place.

Table 5

North Vietnam: Direction of Trade a/
1964-65

| | Million US \$ | | | |
|--|----------------|----------------|----------------|----------------|
| | 1964 | | 1965 | |
| | <u>Exports</u> | <u>Imports</u> | <u>Exports</u> | <u>Imports</u> |
| Total | <u>107.8</u> | <u>130.7</u> | <u>103.8</u> | <u>194.6</u> |
| Communist countries | <u>84.5</u> | <u>118.2</u> | <u>80.2</u> | <u>179.6</u> |
| USSR | 34.8 | 47.2 | 30.6 | 74.9 |
| European Satellites | 22.4 | 14.8 | 26.6 | 29.7 |
| Communist China and other Communist countries | 27.3 | 56.2 | 23.0 | 75.0 <u>b/</u> |
| Free World | <u>23.3</u> | <u>12.5</u> | <u>23.4</u> | <u>14.8</u> |

a. Because of rounding, components may not add to the totals shown.

b. Preliminary estimate.

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